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FILED ELECTRONICALLY

December 20, 2007

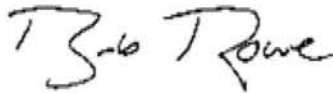
Ms. Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 Twelfth Street, SW  
Washington DC 20554

Re: WC Docket No 05-337, CC Docket No. 96-45 – *Ex Parte* Presentation

Dear Ms. Dortch:

On December 20, 2007, John Jones of CenturyTel, CenturyTel's Washington counsel Greg Vogt and the undersigned met with Commissioner Copps' Legal Advisor Scott Deutchman,. The attached document was discussed.

Sincerely,

A handwritten signature in black ink that reads "R. C. Rowe". The signature is stylized, with the first name "R" being large and the last name "Rowe" written in a cursive script.

Robert C. Rowe  
Senior Partner



Michael J. Balhoff, CFA  
Robert C. Rowe, JD  
Bradley P. Williams, JD

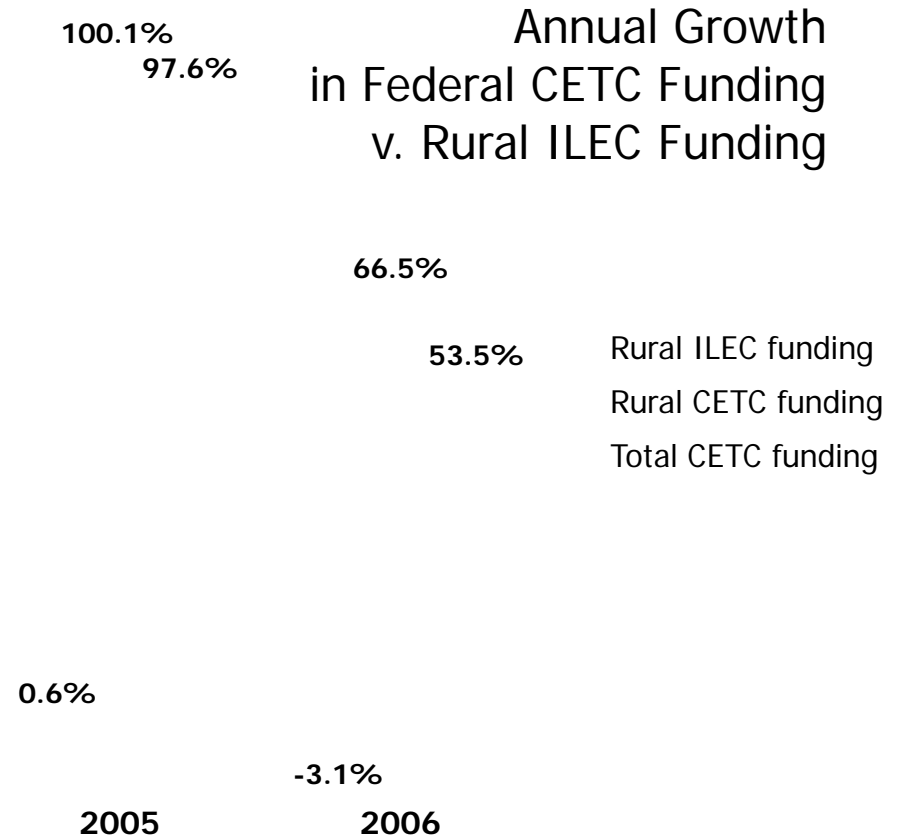
# Perspectives on USF Growth

- CETC federal USF funding continues to expand rapidly

- Total CETC funding grew by 97.6% from 2004 to 2005 to \$639 million, and then by 53.5% to \$980 million by 2006
- Rural CETC funding grew 100.1% from 2004 to 2005 to \$316 million, and then by 66.5% in 2006 to \$526 million

- Rural ILEC funding is under pressure, as growth in 2005 was 0.6% and then -3.1% in 2006

- Thus the highest-cost parts of the network are receiving no new funding even as broadband investment and maintenance requirements are rising



Source: USAC Annual Reports and HC05-HC09 appendices.  
Prepared by Balhoff, Rowe & Williams, LLC

# CETC Rural Funding

- CETC funding in rural regions is growing faster than the total CETC funding
- No strict obligations exist to use the funding for investment
- Interstate Common Line Support, which is based in part on access replacement, is now nearly 40% of the total in spite of the fact that no access revenues were withdrawn from wireless companies
- Suggest matching wireless/CETC support with specific, appropriate outcomes

Rural CETC Funding			
	2004	2005	2006
High cost loop	\$69,229,913	\$140,463,552	\$239,473,650
Safety net	\$1,342,213	\$2,398,431	\$4,274,388
Safety valve			\$745,008
Local switching sup	\$35,714,571	\$56,420,758	\$84,101,214
ICLS*	\$51,470,285	\$116,315,502	\$196,925,121
	<b>\$157,756,982</b>	<b>\$315,598,243</b>	<b>\$525,519,381</b>

Growth in Rural CETC Funding		
	2005	2006
High cost loop	102.9%	70.5%
Safety net	78.7%	78.2%
Safety valve		NM
Local switching support	58.0%	49.1%
ICLS*	126.0%	69.3%
	<b>100.1%</b>	<b>66.5%</b>

Percent of Total Rural CETC Funding			
	2004	2005	2006
High cost loop	43.9%	44.5%	45.6%
Safety net	0.9%	0.8%	0.8%
Safety valve	0.0%	0.0%	0.1%
Local switching sup	22.6%	17.9%	16.0%
ICLS*	32.6%	36.9%	37.5%
	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

\*2004 ICLS includes LTS

Source: USAC HC05-HC09 appendices; prepared by Balhoff, Rowe & Williams, LLC

# *USF Contraction for Large RLECs*

2004-2006 "Growth"  
In Large Rural Company  
Federal USF Funding

**CenturyTel**

**Embarq**

**Citizens**

**-12.3%**

**-12.2%**

**-20.2%**

Actual federal USF payments; prepared by Balhoff, Rowe & Williams, LLC.

- Largest rural carriers are reporting significant contraction in federal USF receipts
- Among explanations . . .
  - Increased efficiencies at rural companies
  - Unanticipated effects of Rural Growth Factor as investment continues but the number of access lines contract